GOVERNMENT OF INDIA
COMMERCE AND INDUSTRY
LOK SABHA

STARRED QUESTION NO:23
ANSWERED ON:25.07.2006
IMPLEMENTATION OF SAFTA .
Adhalrao Patil Shri Shivaji;Singh Shri Kirti Vardhan

Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

(a) Whether South Asian Free Trade Agreement(SAFTA) has been implemented;

(b) If so, the details thereof;

(c) Whether Pakistan has refused to trade with India under SAFTA as reported in the Times of India dated July 08, 2006;

(d) If so, the facts thereof and the reasons therefor; and

(e) The reaction of the Government thereto and steps taken by the Government in this regard?

Answer

MINISTER OF COMMERCE AND INDUSTRY (SHRI KAMAL NATH)

(a) Yes, Sir. The Agreement on South Asian Free Trade AREA

(SAFTA) has come into force from 1st January, 2006. In view of the different budget periods, the member states of SAFTA decided to implement the phased Tariff Liberalization Programme (TLP) with effect from 1st July, 2006 except Nepal which would implement it with effect from 1st August, 2006, with the condition that the TLP for the first two years would be completed by 31st December, 2007.

(b)to (e): A statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (b) to (e) OF LOK SABHA STARRED QUESTION NO. 23 TO BE ANSWERED ON 25.07.2006 REGARDING "IMPLEMENTATION OF SAFTA"

(b): Under the phased Tariff Liberalization Programme (TLP) of SAFTA, Non-Least Developed Contracting States (Non-LDCs) i.e. India, Pakistan and Sri Lanka are to bring down tariffs to 20% within two years, while LDCs

(Bangladesh, Bhutan, Maldives and Nepal) will bring them down to 30%. Non-LDCs will then bring down tariffs from 20% to 0-5% in 5 years

(Sri Lanka in 6 years), while LDCs would do so in 8 years. Moreover, non -LDCs will reduce their tariffs for L.D.C. products to 0-5% in 3 years.

This TLP is not applicable to the items kept in the Sensitive List by each member state. India has kept two Sensitive Lists, one for Non-LDCs with 865 items and another for LDCs with 744 items.

India and Pakistan issued customs notifications for tariff concessions with effect from 1st July, 2006. As per information from the SAARC Secretariat, Sri Lanka has not been able to implement the TLP on the agreed date as the Parliament of Sri Lanka is yet to pass the Revenue Protection Order. Information regarding issue of customs notifications by Bangladesh, Bhutan, Maldives and Nepal has not been received as yet from the SAARC Secretariat.

(c) & (d) Pakistan's customs notification for TLP has a rider that it would be subject to their Import Policy Order. According to this Import Policy Order, imports into Pakistan from India are restricted to the items in a Positive List issued by the Ministry of Commerce of Pakistan, which presently consists of only 773 items. All member States of SAFTA, including Pakistan, ratified SAFTA without any reservations. The notification of Government of Pakistan is therefore against the letter and spirit of SAFTA Agreement.

(e) The SAARC Secretary General has been requested, vide letter dated 7th July, 2006 to convene a SAFTA Ministerial Council (SMC) Meeting urgently for consideration of this important matter. The SMC is the highest decision making body of SAFTA and under Article 10 of SAFTA, the SMC shall be responsible for the administration and implementation of the SAFTA Agreement and all decisions and arrangements made within its legal framework.